

Monthly Market Wrap

| July 2021

Equity index returns (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y	5Y Std Dev
S&P 500	+2.3%	+5.1%	+18.3%	+17.0%	+34.4%	+56.1%	+102.2%	15.0%
MSCI World	+1.7%	+4.4%	+15.3%	+14.1%	+33.2%	+42.6%	+78.3%	14.7%
MSCI World Small Cap	-0.7%	+0.1%	+11.0%	+13.3%	+44.4%	+32.5%	+71.2%	18.3%
MSCI Europe	+1.8%	+5.6%	+16.6%	+15.6%	+29.3%	+15.7%	+32.3%	14.1%
MSCI EM	-7.0%	-5.2%	-3.9%	-1.0%	+18.4%	+17.5%	+46.3%	16.5%
MSCI AC Asia	-5.1%	-4.4%	-3.2%	-1.3%	+19.8%	+18.2%	+44.6%	13.6%
SEMDEX	+2.8%	+15.9%	+17.0%	+16.3%	+20.3%	-14.5%	+7.3%	15.4%
DEMEX	-2.1%	+18.5%	+22.3%	+30.2%	+34.9%	+16.8%	+43.9%	10.4%

Fixed income index returns (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y	5Y Std Dev
Barclays Global Aggregate Bond	+1.3%	+1.4%	-1.0%	-1.9%	+0.8%	+14.9%	+12.9%	4.6%
Barclays US Aggregate Bond	+1.1%	+2.2%	+0.2%	-0.5%	-0.7%	+18.2%	+16.6%	3.3%
Barclays High Yield bond	+0.1%	+1.2%	+2.4%	+2.2%	+9.7%	+19.2%	+33.7%	8.6%
JP Morgan EMU IG Bond	+1.8%	+2.2%	-0.7%	-1.4%	+0.6%	+11.8%	+8.6%	3.9%
JP Morgan EM Bond	+0.4%	+2.5%	+0.8%	-0.6%	+3.8%	+19.8%	+25.1%	9.4%
FTSE Asian Broad Bond	-0.4%	+0.7%	-0.5%	-0.6%	+1.2%	+20.6%	+22.5%	4.5%

Commodity prices

Commodity	Current \$	1M
WTI Crude Oil / Bbl	73.95	+0.7%
Brent Crude Oil / Bbl	76.33	+1.6%
Natural Gas / mmBtu	3.91	+7.2%
Copper / oz	448.25	+4.3%
Silver / oz	25.49	-2.4%
Gold / oz	1,814.19	+2.5%

SEMDEX sector performance (%)

Index	Weight	1M
Financials	41.8%	+5.3%
Commerce	18.1%	+1.6%
Industry	8.7%	+0.2%
Investments	23.6%	+0.9%
Leisure & Hotels	6.5%	+3.3%
Property	0.3%	+14.5%
Sugar	0.6%	+4.2%
Transport	0.3%	0.0%
Foreign	0.2%	0.0%

Secondary market yields - GoM

Tenor	91D	182D	364D	3Y	5Y	10Y	15Y	20Y
Current	0.56%	0.70%	0.83%	2.09%	2.76%	3.86%	4.22%	4.34%
-1M	1.01%	1.22%	1.48%	2.54%	3.12%	4.34%	4.76%	5.14%

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Selected economic data*

Index	Manufacturing PMI		Service PMI		Consumer confidence		CPI YoY	Policy rate	Unemployment
	Current	-1M	Current	-1M	Current	-1M	Current	Current	Current
US	63.40	62.10	59.90	64.60	129.10	128.90	5.4%	0.00%-0.25%	5.4%
Germany	65.90	65.10	61.80	57.50	NA	101.00	3.8%	0.00%	5.9%
France	58.00	59.00	56.80	57.80	101.00	103.00	1.2%	0.00%	8.0%
UK	60.40	63.90	59.60	62.40	-7.00	-9.00	2.0%	0.10%	4.7%
Japan	53.00	52.40	47.40	48.00	37.40	37.60	-0.3%	-0.10%	2.9%
China	50.30	51.30	54.90	50.30	NA	122.80	1.0%	4.35%	3.9%
India	55.30	48.10	45.40	41.20	NA	NA	5.6%	4.00%	7.0%

*based on latest available data

SBM Fund performance (% local currency)

Fund	Currency	Strategy	NAV	1M	3M	YTD	5Y Std Dev
SBM Perpetual Fund	MUR	Local fixed income	213.14	+0.3%	+0.8%	+1.9%	0.4%
SBM Yield Fund	MUR	Global fixed income	11.99	+2.7%	-3.9%	-4.0%	7.4%
SBM Universal Fund	MUR	Multi-asset	31.37	+1.1%	+8.1%	+12.7%	7.7%
SBM Growth Fund	MUR	Global equities	13.68	+1.3%	+12.1%	+18.0%	12.2%
SBM India Fund (Class B)	USD	Indian equities	134.20	+2.0%	+12.2%	+16.5%	28.7%

Commentary

Local equity indices posted mixed performances with the SEMDEX and DEMEX closing at 1,916.62 and 278.36 points, equivalent to respective returns of 2.9% and -2.1%. The main leaders, that is, companies which contributed to the positive performance of the SEMDEX were MCBG, LUX and IBLL while on the downside the main laggards were MEDINE, TERRA and NMH. The top three gainers in terms of price returns were MDIT (+15.4%), LUX (+13.6%) and PAD (+11.3%) and the top three losers were BLL (-14.5%), MEDINE (-8.6%), TERRA (-5.7%). The price-earnings ratio and dividend yield of the SEMDEX stood at 13.33x and 2.13%, respectively, as at 30 July against corresponding figures of 12.92x and 2.11% as at 30 June. Net foreign disinvestments of MUR 85.7Mn were driven by the sell-offs in AFREXIM, MCBG and UBP.

International equities remained resilient in July following the progress in vaccines rollout, the easing of restrictions in several key markets and expectations of upbeat earnings despite higher US inflation readings, China's regulatory crackdown and the uptick in Covid-19 cases driven by the delta variant; the MSCI World index posted a return of 1.7%.

The S&P500 index added 2.3% MoM supported by strong earnings. The IHS Markit Purchasing Managers' Index (PMI) edged up to a record high of 63.4 in July (June 2021: 62.1) backed by booming demand and significant improvements in operating conditions across the US manufacturing sector. Constrained capacity and record supplier shortages, however, led to strong price pressures. YoY inflation rate rose to 5.4% in June compared to 5.0% in May 2021.

Eurostoxx 50 index advanced by 0.6% in July after concerns over the spread of the delta variant offset the optimism from robust corporate earnings. The CAC 40 and FTSE MIB indices registered respective returns of 1.6% and 1.0% during the month while the DAX index added 0.1%. The Eurozone manufacturing activity remained robust in July but there was a loss in growth momentum, mainly attributable to supply chain disruptions – PMI marginally fell from 63.4 in June to 62.8 in July. In the UK, the FTSE 100 index registered a return of -0.1% MoM. PMI edged down to 60.4 in July against a previous month's reading of 63.9 as output and new order growth eased to a four-month low.

Japanese equities lagged its global peers with the Nikkei 225 registering a performance of -5.2%. With the number of Covid-19 cases reaching record levels, Japan authorities extended the state of emergency. Manufacturing sector output improved in July, supported by stronger growth in both output and new orders – PMI rose from 52.4 to 53.0 over the month.

Emerging equities continued to lag developed markets, dragged down by the weak performance of Chinese stocks; the MSCI Emerging Markets index returned -7.0% in July. In China, the CSI300 index registered -7.9% MoM in local currency and -8.0% in USD terms amid announcements of tighter regulations across several sectors. The growth in Chinese manufacturing sector eased in July amid the relatively subdued demand conditions with PMI falling to 50.3 against 51.3 in June, the lowest in 15 months. In India, the BSE Sensex gained 0.2% MoM. The manufacturing sector recovered in July with PMI moving back above its 50-mark threshold – PMI rose to 55.3 over the month (June 2021: 48.1) on account of easing Covid-19 restrictions and improved demand.

At fixed income level, the Barclays Global Aggregate Bond index posted a return of 1.3% over the month. At the latest FOMC meeting, the Fed made no change to its interest rate or monthly asset purchases but Fed officials acknowledged the progress made by the US economy towards its goals, signaling a tapering of asset purchases by the end of 2021 or early next year. The Fed fund target range remained unchanged at 0.00%-0.25%. Reflecting the easing inflation expectations and the Delta threat variant, the 10Y US Treasury Yields steadied around 1.22% in July. The European Central Bank adjusted its inflation goal to 2%, allowing room for an overshoot when needed while policy rates broadly remained unchanged.

On the commodity segment, the S&P GSCI index advanced by 1.6% in July; Brent and WTI oil prices registered respective returns of 1.6% and 0.7% MoM as signs of tighter supply helped ease fears over the resurgent pandemic's threat to demand. Precious metals registered mixed performances with Gold adding 2.5% and Silver posting a return of -2.4%.

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